

## TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
WAYNE COUNTY RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
<b>CENTRAL ACCOUNTING UNIT</b>	
<b><u>Cash Receipts</u></b>	
FIA-61A Log Reconciliation	2
Returned Warrants	3
Retention of FIA-61	3
<b><u>Cash Disbursements</u></b>	
Reconciliation of DAFR-3801 and DAFR-7310 Reports	4
<b><u>CIMS/ASSIST/LASR Security</u></b>	
CIMS Status Codes	4
<b><u>Payroll and Timekeeping</u></b>	
Supervisor's Approval of Time and Attendance Reports	5
<b><u>State Emergency Relief</u></b>	
Payment Authorization Permanent Files	5
<b>WAYNE COUNTY CENTRAL ADMINISTRATION</b>	
<b><u>Procurement Cards</u></b>	
Approval of Transaction Details	6
<b><u>CIMS/ASSIST/LASR Security</u></b>	
CIMS Security Agreements	6-7
Security Officer's Log (PD-180)	7
<b><u>Payroll and Timekeeping</u></b>	
Payroll Record Retention	7
Reconciliation of HR-332A Turnaround Report	8

## **INTRODUCTION**

The Office of Internal Audit performed an audit of the Central Accounting Unit, Wayne County FIA, and selected functions of Wayne County Central Administration, for the period October 1, 2002 through September 30, 2003. The objective of our audit was to determine if internal controls in place in the Central Accounting Unit provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. The Central Accounting Unit had 44 full time equated positions (FTE's) at the time of our review.

## **SCOPE**

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Central Accounting Unit, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts	CIMS/ASSIST Security
Cash Disbursements	Payroll and Timekeeping
State Emergency Relief	Procurement Cards
Safe and Controlled Documents	General Ledger

In addition, our audit included CIMS/ASSIST Security, Payroll and Timekeeping, and Procurement Cards for the Wayne County Central Administration.

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Central Accounting Unit's internal controls need improvement in order to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We found instances of noncompliance with FIA policies and procedures and weaknesses in internal controls in other areas, which are detailed below.

## **LOCAL OFFICE RESPONSE**

The management of Wayne County FIA has reviewed all findings and recommendations included in this report. They indicated in a memo dated December 3, 2003 that they disagree with finding #7.

## **FINDINGS AND RECOMMENDATIONS – Central Accounting**

### **Cash Receipts**

#### **FIA-61 Log Reconciliation**

1. The Central Accounting Unit did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We found four (4) open items on the FIA-61, where checks/warrants were not on hand. We also noted that the posting of disposition information to the FIA-61 was not up-to-date. Keeping the posting up-to-date facilitates the reconciliation process.

WE RECOMMEND that the Central Accounting Unit perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

### Returned Warrants

2. The Central Accounting Unit maintained returned state warrants for over 60 days instead of 10 days, as required by Accounting Manual Item 462. In addition, the disposition of six (6) State Warrants was not shown on Record and Disposition of Checks/Warrants (FIA-61). Voiding the returned state warrants after 10 business days encourages immediate disposition and provides improved accountability for the warrants. Recording the disposition of all items on the FIA-61 provides documentation of appropriate disposition of the returned warrants.

WE RECOMMEND that the Central Accounting Unit dispose of returned state warrants within 10 business days, and record all dispositions on the FIA-61.

### Retention of FIA-61

3. The Central Accounting Unit did not always properly maintain the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 431. We found seven FIA-61's missing from the records of the Cashier's office even though the mail room copies of the FIA-61 for those dates were signed by the cashier. In addition, the mail room did not have copies of the FIA-61 on hand for four dates where the FIA-61 was on file in the cashier's office. We also noted that the mail clerks did not always sign the FIA-61, as required by Accounting Manual Item 431.

WE RECOMMEND that the Central Accounting Unit cashier maintain the original FIA-61's and the mail room maintain copies of all FIA-61's, and that they be properly signed by two mailroom clerks and the cashier.

## **Cash Disbursements**

### **Reconciliation of DAFR-3801 and DAFR-7310 Reports**

4. The Central Accounting Unit did not reconcile the MAIN DAFR-3801 and DAFR-7310 reports to the check register. The DAFR-3801 lists all cashed manual warrants that have cleared Treasury where MAIN does not have record that the warrant was recorded in MAIN. The DAFR-7310 lists all manual warrants that have been entered in MAIN until the status changes from issued to some other status. This report serves as an outstanding check list for reconciliation purposes. Failure to reconcile these reports could result in inappropriate transactions going undetected.

WE RECOMMEND that the Central Accounting Unit reconcile the DAFR-3801 and DAFR-7310 to the check register each month.

NOTE: Corrective action taken while the auditor was on site.

## **CIMS/ASSIST/LASR Security**

### **CIMS Status Codes**

5. Four clerks at the Central Accounting Unit had FLM status on the Client Information Management System (CIMS). These status codes allow these individuals to process transactions that are not necessary for their positions, and may allow them to authorize payments to cases, and process the payments for those same cases.

WE RECOMMEND that the Central Accounting Unit either change the clerks to inquiry only status on CIMS or customize their status to allow them only the FLM transactions they need to perform their duties, and have an independent person review 100% of the transactions processed by them.

## **Payroll and Timekeeping**

### **Supervisor's Approval of Time and Attendance Reports**

6. Central Accounting Unit employees did not always complete the Time and Attendance Reports (FIA-4299). For the month reviewed there were two FIA-4299's that were not signed by the employees. The Primary Internal Control Criteria for Local/District Office Operations recommends that the employee accurately complete a biweekly time sheet, FIA-4299, and that the supervisor approve the employee time and attendance reports, attesting to the accuracy of all reported time.

WE RECOMMEND that the Central Accounting Unit have all the employees accurately complete and sign a biweekly time report, FIA-4299, and have the report approved by their supervisor.

## **State Emergency Relief**

### **Payment Authorization Permanent Files**

7. The Central Accounting Unit did not maintain a file of Medical Services Authorizations (FIA-93A) and Authorization/Invoices (FIA-849) in alphabetical or case number order by year, as required by Accounting Manual Item 404. Maintaining FIA-93A's and FIA-849's in alphabetical or case number order provides an audit trail to easily detect how many FIA-849/93's payments a client has received, and makes the FIA-93A's and FIA-849's easy to retrieve if needed at a later date.

WE RECOMMEND that the Central Accounting Unit maintain a permanent file of Medical Services Authorizations and Authorization/Invoices in alpha or case number order.

## **FINDINGS AND RECOMMENDATIONS - Wayne County Central Administration**

### **Procurement Cards**

#### **Approval of Transaction Details**

8. The Central Administration did not require that the Transaction Detail be signed by the cardholder and approved by the supervisor. We found two instances where the Transaction Detail was not signed by the cardholder or the supervisor. The Procurement Card Program Manual requires that the supervisor must review the transactions listed on Transaction Detail, and it is to be signed by both the supervisor and cardholder. Approval of the transactions helps reduce the risk of unauthorized transactions being processed.

WE RECOMMEND that the Central Administration require that all the Detail Transaction entries be signed by the cardholder and approved by the supervisor.

### **CIMS/ASSIST/LASR Security**

#### **CIMS Security Agreements**

9. The Central Administration, Wayne County did not have accurate, up-to-date CIMS Security Agreements (FIA-3974A) on file for all employees who access the Client Information Management System (CIMS), as required by L-Letter 97-063. Out of 157 employees listed on the Operator Identification Report (PF-011), 36 employees working at Cadillac Place do not have Enrollment Profiles/Security Agreements (FIA-3974A) on file. In addition, one employee had FLM status on the PF-011 Report although that employee's FIA-3974A indicated INQ status. Also, 19 employees who had transferred out of the Central Accounting Unit were still listed as active on the PF-011 Report. An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with their CIMS access, and that their supervisor has approved their level of access.

WE RECOMMEND that the Central Administration ensure that all employees who have access to CIMS have an accurate, up-to-date Security Agreement on file, and that CIMS access is removed for all employees who leave the Unit.

#### Security Officer's Log Report (PD-180)

10. The Central Administration did not reconcile the Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A's). Family Independence Agency Letter L-97-063 requires an independent person to reconcile changes listed on this report to signed Security Agreements to ensure that all changes are accurate and properly authorized. For internal control purposes, the reconciler must not be the CIMS Security Coordinator or have update capability on CIMS.

WE RECOMMEND that the Central Administration an independent person reconcile the PD-180 report to the Security Agreements.

#### **Payroll and Timekeeping**

##### Payroll Record Retention

11. The Central Administration timekeeper maintained the certified copy of the Time and Attendance Summary Report (HR-332A). The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that the Central Administration have the certifier or someone other than the timekeeper retain the HR-332A.



#### Reconciliation of HR-332A Turnaround Report

12. The Central Administration did not reconcile the turnaround HR-332A to the original HR-332A report a week after payroll was run. The Primary Internal Control Criteria for Local/District Office Operations recommends that the District reconcile the turnaround report to verify that the actual time reported agrees with the time that was originally submitted.

WE RECOMMEND that the Central Administration reconcile the turnaround HR-332A reports to the original HR-332A reports.